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**REBUTTAL TESTIMONY OF
GERHARD HAIMBERGER
ON BEHALF OF**

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2009-2-E

**Q. ARE YOU THE SAME GERHARD HAIMBERGER THAT HAS
PREFILED DIRECT TESTIMONY IN THIS CASE?**

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to the direct
testimony of Mr. Richard Thomas, who appears on behalf of CMC Steel.
Specifically, I will address Mr. Thomas' recommendations relating to coal
hedging, [REDACTED]

[REDACTED]
[REDACTED] I will also comment on ORS Witness
Randy Watts' testimony relating to the Company's rail transportation costs.

**Q. HOW DO YOU RESPOND TO MR. THOMAS'
RECOMMENDATION THAT SCE&G SHOULD IMPLEMENT A
FINANCIAL HEDGING PROGRAM FOR ITS COAL PURCHASES?**

A. SCE&G believes that coal purchased by the Company pursuant to
long-term contracts serves as a physical hedge against price movements in
coal markets. This is the case because the prices paid under these long-

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1 general policy, SCE&G seeks to have long-term coal contracts that
2 represent approximately 75% to 80% of projected system demand. In
3 addition, when possible, SCE&G uses a variety of pricing mechanisms
4 which allow SCE&G to increase or decrease the quantity of coal purchased
5 under these fixed-priced contracts when advantageous to SCE&G and its
6 customers. As a result, short-term swings in market prices for coal are not
7 reflected in the cost of coal delivered under these contracts.

8 Additionally, as Mr. Thomas acknowledges in his direct testimony,
9 “during 2008, SCE&G’s fuels purchasing personnel faced difficult market
10 conditions characterized by extremely volatile prices.” However, as
11 Company Witness John Beier will discuss further, coal prices have
12 historically been relatively stable. While 2008 was extremely volatile for coal
13 prices, a trend has not been confirmed. For this reason, coupled with many
14 other factors including the fact that coal quality requirements vary widely,
15 financial hedging of coal purchases is particularly unwise.

16 Q. [REDACTED]

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1 **Q. MR. WATTS TESTIFIED ON BEHALF OF ORS THAT, “GIVEN**
2 **THE EXORBITANT INCREASE IN TRANSPORTATION COSTS**
3 **ASSOCIATED WITH THE COMPANY’S NEW RAILROAD**
4 **CONTRACTS,” ORS MAY MAKE A FILING WITH THE**
5 **SURFACE TRANSPORTATION BOARD OR OTHER**
6 **APPROPRIATE FORUM. WHAT ARE YOUR COMMENTS IN**
7 **THIS REGARD?**

8 **A. SCE&G would be pleased to support any effort by ORS to request a**
9 review of these rail rates by the Surface Transportation Board. Likewise,
10 the Company is committed to undertake any action that would serve to
11 reduce these rates. Notwithstanding SCE&G’s willingness to cooperate in
12 ORS’s effort, the negotiated rates were market competitive rates and the
13 Company believes that its actions with respect to the renegotiation of these
14 contracts were prudent and reasonable. SCE&G believes this to be
15 especially true considering that its ability to receive shipments of coal at its
16 generation facilities is primarily limited to a single rail transportation
17 company. The Company’s limited options for domestic rail transportation
18 services further demonstrates the value of its ability to obtain foreign coal
19 through barges from the Port of Charleston to be off-loaded at Williams
20 Station.

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1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.